

Q2 2023 REPORT ON ENERGY TRUST OF OREGON'S ACTIVITIES FOR NW NATURAL IN WASHINGTON

April 1 through June 30, 2023

This quarterly report covers the period of April 1 through June 30, 2023 and addresses progress toward 2023 goals for the NW Natural energy-efficiency program in Washington. It includes information on expenditures, gas savings, projects completed and incentives paid during the quarter.

I. PROGRAM SUMMARY

A. General

- **Energy Trust achieved 9% of its annual savings goal in quarter two**, below the 21% of annual savings goal expected in quarter two.
- **Savings are typically lower in the first half of the year** as more commercial studies and assessments are completed compared to the second half of the year when more projects are completed.
- **The commercial sector achieved 3% of its annual savings goal in quarter two**, which is below historical program savings trends.
- **The residential sector achieved 17% of its annual savings goal in quarter two**, which is below historical program savings trends.

B. Commercial sector highlights

- The commercial sector is on track to meet its annual goal. (Quarter two savings this year were expected to be lower than historical program savings trends; other quarters are expected to be above historical program savings.)
- Savings for the quarter were driven by Strategic Energy Management (SEM), followed by demand control ventilation rooftop unit controls and boilers.
- Many customers including public school districts report budget constraints for capital improvement projects. This will delay the implementation of several prescriptive projects planned for the summer of 2023.
- Some market conditions – including equipment delays, labor shortages and cost increases – continue to be a factor in project delays or cancellations. For the largest projects, staff is doing frequent outreach to customers to help ensure these projects completed by the end of the year.

C. Residential sector highlights

- The residential sector is on track to meet its annual goal.
- Savings for the quarter were driven by gas furnaces, followed by insulation and new construction.
- Savings from insulation measures more than doubled in quarter two compared to quarter one and were up 120% compared to quarter two of 2022. This is due to increased incentive amounts and increased outreach to contractors to promote these incentives to customers.
- Smart thermostat activity declined in quarter two with 31 incentives used compared to 227 incentives in quarter one. Smart thermostats are currently forecasted 25% below goal.

- The decline was due to fewer promotions by retailers and manufacturers; manufacturers are not consistently discounting their products during traditional retailer sale periods, which in the past drove smart thermostat activity.
- Energy Trust also did not run any email marketing in quarter two so as not to bombard customers with emails.
- Windows activity in quarter increased 9% compared to quarter one, and increased incentives launching in quarter three are expected to further increase window project volume.

D. Program evaluations

- In quarter two, Energy Trust finalized the Evaluation of the MPower Pilot: <https://www.energytrust.org/wp-content/uploads/2023/03/Evaluation-MPower-Pilot.pdf>
- In quarter two, Energy Trust finalized the Impact Evaluation of the New Homes Program 2012-2019: <https://www.energytrust.org/wp-content/uploads/2023/04/Energy-Trust-New-Homes-Impact-Evaluation-2012-2019-Final-wSR.pdf>
- In quarter two, Energy Trust finalized the 2022 Customer Awareness and Participation Study: https://www.energytrust.org/wp-content/uploads/2023/04/Energy-Trust-of-Oregon_CAP-Study-Report-2022_Final-wSR.pdf

E. Washington Utilities and Transportation Commission performance metrics

The table below compares quarterly results to 2023 goals, as established in NW Natural's Energy Efficiency Plan for Washington (filed in 2022).

2023 results compared to goals

| Metric | Goal | 2023 YTD | Q1 results | Q2 results | Q3 results | Q4 results |
|----------------------------------|-------------------|-------------------|-------------------|-------------------|------------|------------|
| Therms Saved | 281,908 | 72,723 | 48,300 | 24,423 | | |
| Total Program Expenditures | \$ 3,253,531 | \$ 1,322,788 | \$ 722,326 | \$ 600,463 | | |
| Average Levelized Cost Per Therm | Less than \$0.90 | \$ 1.32 | \$ 1.18 | \$ 1.57 | | |
| Utility Cost at Portfolio Level | Greater than 1.00 | Reported annually | Reported annually | Reported annually | | |

- This table does not include savings goal or budget associated with NW Natural's Washington Low-Income Energy Efficiency program delivery.
- Northwest Energy Efficiency Alliance (NEEA) gas market transformation activities are not included in this table.

II. QUARTERLY RESULTS

A. Expenditures¹

| | | Q2 actual expenditures | Q2 budgeted expenditures | Budget variance |
|---------------------------|----------------------------|------------------------|--------------------------|--------------------|
| Commercial | Commercial | \$ 213,751 | \$ 376,996 | \$ -163,245 |
| | Commercial administration | \$ 14,556 | \$ 24,103 | \$ -9,547 |
| | Commercial Total | \$ 228,307 | \$ 401,099 | \$ -172,792 |
| Residential | Residential | \$ 348,203 | \$ 372,114 | \$ -23,911 |
| | Residential administration | \$ 23,953 | \$ 23,239 | \$ 714 |
| | Residential Total | \$ 372,156 | \$ 395,353 | \$ -23,197 |
| Total expenditures | | \$ 600,463 | \$ 796,452 | \$ -195,989 |

B. Incentives paid²

| | Q2 actual incentives | Q2 actual expenditures | Percent incentives/expenditures |
|-------------------------|----------------------|------------------------|---------------------------------|
| Commercial | \$ 25,345 | \$ 228,307 | 11% |
| Residential | \$ 172,334 | \$ 372,156 | 46% |
| Total Incentives | \$ 197,679 | \$ 600,463 | 33% |

- Incentives paid account for approximately 46% of year-to-date program expenses, when total program expenses are adjusted down by 15% to account for costs that a utility-delivered program would recover through rates.

C. Savings

| | Q2 savings therms | Annual goal therms | Percent achieved Q2 | Levelized cost/therm |
|--------------|-------------------------------|--------------------|---------------------|----------------------|
| Commercial | Existing Buildings - custom | - | 88,452 | - |
| | Existing Buildings - standard | 1,181 | 43,018 | 3% |
| | New Buildings - custom | - | 4,794 | - |
| | New Buildings - standard | 707 | 14,100 | 5% |
| | Strategic Energy Management | 2,995 | 18,881 | 16% |
| | Commercial total | 4,883 | 169,245 | 3% |
| Residential | Home retrofit | 18,269 | 92,960 | 20% |
| | Midstream and retail | 37 | 11,355 | 0% |
| | New manufactured homes | 106 | - | N/A |
| | Small multifamily | 416 | 1,754 | 24% |
| | EPS new construction | 712 | 6,594 | 11% |
| | Residential total | 19,540 | 112,663 | 17% |
| Total | 24,423 | 281,908 | 9% | \$ 1.57 |

¹ Columns may not total due to rounding.

² NEEA expenditures excluded per NW Natural Washington's Energy Efficiency Plan.

- Quarterly savings in recent years were on average: 12% of annual savings in Q1, 21% of annual savings in Q2, 14% of annual savings in Q3 and 49% of annual savings in Q4.

III. YEAR-TO-DATE RESULTS

A. Activity highlights—sites served

| | Q1 | Q2 | Q3 | Q4 | Total |
|--------------------------|----|----|----|----|-------|
| Commercial | | | | | |
| Food Service | - | - | - | - | - |
| HVAC | 1 | 2 | - | - | 3 |
| Operations & Maintenance | 17 | 3 | - | - | 20 |
| Process cooling | - | - | - | - | - |
| Process heating | - | - | - | - | - |
| Refrigeration | - | - | - | - | - |
| Study | 1 | - | - | - | 1 |
| Water Heating | - | 1 | - | - | 1 |
| Weatherization | - | - | - | - | - |

| | Q1 | Q2 | Q3 | Q4 | Total |
|------------------------|-----|-----|----|----|-------|
| Residential | | | | | |
| EPS new construction | 100 | 25 | - | - | 125 |
| New manufactured homes | - | 1 | - | - | 1 |
| HVAC | 122 | 153 | - | - | 275 |
| HVAC Controls | 127 | 49 | - | - | 176 |
| Water Heating | 5 | 2 | - | - | 7 |
| Weatherization | 54 | 64 | - | - | 118 |

- This table of sites served excludes offerings purchased at distributors and retail (gas fireplaces and showerheads) because Energy Trust does not receive site data for those purchases.

B. Revenue

| Source | YTD actual revenue | YTD budgeted revenue |
|---------------|--------------------|----------------------|
| NW Natural \$ | 1,053,395 \$ | 1,053,395 |

C. Expenditures³

| | | YTD actual expenditures | YTD budgeted expenditures | Budget variance |
|------------------------------|-------------------------------|-------------------------|---------------------------|-----------------|
| Commercial | Commercial \$ | 489,647 \$ | 639,159 \$ | -149,511 |
| | Commercial administration \$ | 36,086 \$ | 45,586 \$ | -9,501 |
| | Commercial Total \$ | 525,733 \$ | 684,745 \$ | -159,012 |
| Residential | Residential \$ | 742,347 \$ | 682,888 \$ | 59,458 |
| | Residential administration \$ | 54,709 \$ | 48,705 \$ | 6,004 |
| | Residential Total \$ | 797,056 \$ | 731,594 \$ | 65,462 |
| Total expenditures \$ | | 1,322,788 \$ | 1,416,339 \$ | -93,550 |

D. Incentives paid⁴

| | YTD actual incentives | YTD actual expenditures | Percent incentives/expenditures |
|----------------------------|-----------------------|-------------------------|---------------------------------|
| Commercial \$ | 91,678 \$ | 525,733 | 17% |
| Residential \$ | 420,423 \$ | 797,056 | 53% |
| Total Incentives \$ | 512,101 \$ | 1,322,788 | 39% |

- Incentives paid account for approximately 46% of year-to-date program expenses when total program expenses are adjusted down by 15% to account for costs that a utility-delivered program would recover through rates.

³ Columns may not total due to rounding.

⁴ NEEA expenditures excluded per NW Natural Washington's Energy Efficiency Plan.

E. Savings

| | | YTD savings | Annual goal | Percent | Levelized |
|--------------------------|-------------------------------|---------------|----------------|------------|----------------|
| | | therms | therms | achieved | cost/therm |
| Commercial | Existing Buildings - custom | 9,663 | 88,452 | 11% | |
| | Existing Buildings - standard | 1,181 | 43,018 | 3% | |
| | New Buildings - custom | - | 4,794 | - | |
| | New Buildings - standard | 707 | 14,100 | 5% | |
| | Strategic Energy Management | 17,717 | 18,881 | 94% | |
| Commercial total | | 29,269 | 169,245 | 17% | \$ 2.35 |
| Residential | Home retrofit | 36,523 | 92,960 | 39% | |
| | Midstream and retail | 1,771 | 11,355 | 16% | |
| | New manufactured homes | 106 | - | N/A | |
| | Small multifamily | 761 | 1,754 | 43% | |
| | EPS new construction | 4,293 | 6,594 | 65% | |
| Residential total | | 43,454 | 112,663 | 39% | \$ 1.10 |
| Total | | 72,723 | 281,908 | 26% | \$ 1.32 |